

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 CIAE-00 EA-06 EB-04 INR-05
IO-06 NEA-07 NSAE-00 OMB-01 SIL-01 SP-02 TRSE-00
ICA-01 OIC-01 L-01 NSC-05 /063 W
-----110033 130017Z /70
R 121753Z APR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 9979

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PASS: TREASURY

E.O. 11652: N/A
TAGS: OECD
SUBJECT: HEADS OF DELEGATION PRELIMINARY DISCUSSION ON
PREPARATION FOR OECD MINISTERIAL (APRIL 11).

1. OECD SECRETARY-GENERAL VAN LENNEP BRIEFED HEADS OF
DELEGATIONS APRIL 11, ON THE SECRETARIAT'S PRELIMINARY
THINKING ON SUBSTANTIVE AND ORGANIZATIONAL MATTERS CON-
CERNING OECD MINISTERIAL SCHEDULED FOR MID-JUNE. VAN
LENNEP SAID THAT NOW MORE THAN EVER THE MINISTERS
WOULD HAVE TO RECOGNIZE NOT ONLY INTERDEPENDENCE OF COUN-
TRIES BUT ALSO INSEPARABILITY OF PROBLEMS THEY FACE AND
THAT ACCEPTANCE OF A PACKAGE APPROACH WAS ESSENTIAL FOR
A RETURN TO ADEQUATE ECONOMIC GROWTH. SPECIFICALLY,
VAN LENNEP OUTLINED WHAT HE DESCRIBED AS A PACKAGE FOR
GENERALIZED CONCERTED ACTION INCLUDING ATTENTION TO SIX
PROBLEM AREAS; NAMELY, GROWTH, INFLATION, MONETARY
COOPERATION, ENERGY, LIBERAL TRADE AND STRUCTURAL MEA-
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SURES AND RELATIONS WITH NON-MEMBER COUNTRIES. HE
NOTED THAT MOST OF THE COMPONENT PARTS OF THE PACKAGE
ARE NOW UNDER DISCUSSION IN SPECIALIZED COMMITTEES OF
THE OECD (EPC, XCSS, TRADE COMMITTEE, IEA) AND WILL BE
DRAWN TOGETHER IN ONE CONSOLIDATED PAPER FOR THE MINI-
STERS. BACKGROUND PAPERS ON EACH TOPIC WILL ALSO BE
AVAILABLE. APART FROM DISCUSSION OF THE GENERALIZED

PACKAGE, VAN LENNEP FORESAW THAT THE MINISTERS WOULD TREAT SEVERAL SUPPORTING QUESTIONS AS SPECIAL ISSUES; NAMELY, RENEWAL OF THE TRADE PLEDGE, A LONGER-RUN PROGRAM FOR ENERGY COOPERATION, AND LONGER-TERM RELATIONS WITH THE DEVELOPING WORLD, THE LATTER BASED ON A REAPPRAISAL ALONG THE LINES OF CE(78)6 TO BE CONSIDERED AT THE APRIL 14 XCSS.

2. VAN LENNEP ELABORATED ON SOME OF THE ELEMENTS OF THE GENERALIZED PACKAGE, SPECIFICALLY ARGUING FOR THE NEED TO MAINTAIN PRICE STABILITY AS A PRIMARY POLICY GOAL WITHIN CONTEXT OF "ADEQUATE" GROWTH. HE SAID THE SECRETARIAT WAS AT WORK ON IDEAS CONCERNING NOT ONLY NATIONAL POLICIES TO COMBAT INFLATION, BUT ALSO POLICY MEASURES WHICH WOULD HOLD DOWN AREAWIDE INFLATION. HE WAS PARTICULARLY CONCERNED THAT A NEW "VICIOUS CIRCLE" WAS DEVELOPING WITH RESPECT TO COMMODITIES, NAMELY, THAT LOW GROWTH BEGETS LOW COMMODITY PRICES WHICH BEGETS LOW INVESTMENT IN COMMODITY PRODUCTION WHICH BEGETS REDUCED CAPACITY AND LATTER BEGETS SHARP INFLATION AT THE CYCLICAL RECOVERY. ON MONETARY COOPERATION, VAN LENNEP DISMISSED CHICKEN-AND-EGG ARGUMENTS AS TO WHETHER MONETARY STABILITY OR COORDINATED MACRO PERFORMANCE COMES FIRST. THE SECRETARIAT FEELS THAT THE TWO MUST BE ATTACKED IN PARALLEL AND WITH THE APPROPRIATE SPECIFIC MEASURES. ON TRADE, VAN LENNEP SAID IT WAS VITAL TO CHANGE TREND TOWARD TRALIMITED OFFICIAL USE

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DITIONAL PROTECTIONISM AND "NEO-INTERVENTIONISM" IN THE FORM OF EMPLOYMENT-CONSERVING POLICIES WHICH LATTER WAS ESPECIALLY DANGEROUS IN EUROPE. ON NORTH-SOUTH, VAN LENNEP SAID WE MUST RECOGNIZE LIMITS OF THE PRIVATE SECTOR IN RECHANNELING EXCESS GLOBAL SAVINGS AND ACCORDINGLY INCREASE FUNDS FLOWING THROUGH OFFICIAL DEVELOPMENT ASSISTANCE CHANNELS INTO THOSE SECTORS (E.G., ENERGY AND COMMODITY INVESTMENT) WHICH MAY NOT BE ATTRACTIVE FOR PRIVATE SECTOR ACTIVITY -- THUS TURNING A VICE (EXCESS SAVINGS) INTO A VIRTUE (EXPANDED DEVELOPMENT ASSISTANCE).

3. VAN LENNEP SUGGESTED THAT THE LOGIC OF THE SUBSTANCE OF THIS YEAR'S MINISTERIAL AGENDA WOULD SEEM TO INDICATE THAT THE FIRST DAY SHOULD BE DEVOTED TO MEETINGS OF LIMDIS/USOECD

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 CIAE-00 EA-06 EB-04 INR-05
IO-06 NEA-07 NSAE-00 OMB-01 SIL-01 SP-02 TRSE-00
ICA-01 OIC-01 L-01 NSC-05 /063 W
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FINANCE MINISTERS WHO COULD DISCUSS THE ECONOMIC ASPECTS OF THE GENERALIZED PACKAGE (I.E., GROWTH, INFLATION, AND MONETARY COOPERATION) AND THAT ON THE SECOND DAY, FOREIGN MINISTERS WOULD TAKE UP THE MORE POLITICAL ASPECTS (I.E., ENERGY, PROTECTIONISM AND STRUCTURAL QUESTIONS RELATIONS WITH NON-MEMBER COUNTRIES). IN THIS WAY, THE MINISTERIAL WOULD BE A UNIFIED WHOLE RATHER THAN ESSENTIALLY TWO MEETINGS AS HAS BEEN THE PATTERN IN THE PAST. VAN LENNEP ALSO SUGGESTED THAT A RESTRICTED FINANCE MINISTERS MEETING ON THE FIRST AFTERNOON MAY BE CONDUCIVE TO BRINGING RESULTS OF DISCUSSIONS IN OTHER FORUMS INTO THE OECD CONTEXT. THE ENSUING DISCUSSION AMONG HEADS OF DEL FOCUSED ALMOST EXCLUSIVELY ON THE ORGANIZATION OF THE MEETING. MANY HEADS OF DELEGATION, WHILE ACKNOWLEDGING THE LOGIC OF THE PROPOSED DIVISION OF LABOR, WERE NOT CONVINCED THAT IT WOULD BE WISE TO BREAK WITH PAST TRADITION AND ASKED THE SECRETARY-GENERAL TO RETHINK THE ORDER OF THE MEETING DAYS, IN CONSULTATION WITH THE CHAIR COUNTRY (JAPAN). FRG, FRANCE, AND JAPAN STATED PRELIMINARY, UNINSTRUCTED PREFERENCE FOR STICKING TO TRADITIONAL PATTERN. ON THE OTHER HAND, UK DEL STATED THAT FORMIN OWEN COULD ONLY ATTEND ON SECOND DAY AND HAD LIMITED OFFICIAL USE

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AGREED TO JUNE 14-15 DATES ON THAT BASIS.

4. SECRETARY-GENERAL ANNOUNCED THAT TUAC HAD REQUESTED A LIAISON COMMITTEE MEETING "ON THE EVE OF" THE MINI-

STERIAL. THERE HAD BEEN NO SIMILAR REQUEST FROM THE
BIAC. VAN LENNEP SAID HE INTERPRETED "ON THE EVE OF"
LOOSELY AND PERSONALLY PREFERRED THAT THE MEETING TAKE
PLACE A WEEK OR SO BEFORE THE MINISTERIAL, ALTHOUGH THE
PAPERS SUBMITTED AND THE PRESENTATION WOULD BE PART OF
THE DOSSIER FOR THE MINISTERS. THERE WAS NO OBJECTION
VOICED TO SUCH A MEETING. IT WAS ALSO AGREED THAT THE
SECRETARY-GENERAL WOULD MAKE KNOWN TO BIAC THE PROPOSED
ARRANGEMENTS WITH TUAC, BUT WOULD NOT SPECIFICALLY SUG-
GEST A BIAC LIAISON COMMITTEE MEETING (ALTHOUGH IT WAS
UNDERSTOOD THAT OECD WOULD IN PRINCIPLE BE AMENABLE TO
ARRANGEMENTS EQUIVALENT TO THOSE FOR TUAC, IF BIAC
REQUESTED THEM).

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEBRIEFINGS, MEETINGS, MEETING DELEGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS11995
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780158-0010
Format: TEL
From: PARIS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780465/aaaacdom.tel
Line Count: 184
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d22dd0b1-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2994304
Secure: OPEN
Status: NATIVE
Subject: HEADS OF DELEGATION PRELIMINARY DISCUSSION ON PREPARATION FOR OECD MINISTERIAL (APRIL 11).
TAGS: PORG, OCON, OECD, (VAN LENNEP)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d22dd0b1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014